# CONFESSIONS OF A SERIAL BOARD DIRECTOR

SARAH HOGG, the first woman to chair a FTSE 100 company, recalls some tricky times at the top table

ON REALLY SLEEPLESS NIGHTS, when the sheep just won't go through the gate any more, I start counting the different boards I've been on over the past 20 years. Nine big, publicly quoted companies, from energy businesses to a chocolate-maker. One big private company (British retailer John Lewis). Public sector institutions, from the BBC to Her Majesty's Treasury. Investment businesses, above all the private equity investor 3i, where I found to my astonishment that I was the first woman to chair a FTSE 100 company. A historic engineering business (GKN); a brand new economics consultancy (Frontier); a dual-listed ocean cruise group (Carnival); and a national charity (The Queen Elizabeth Diamond Jubilee Trust).

I've done startups, mergers and de-mergers; I've even chaired a regulator – the Financial Reporting Council (FRC). In fact, I sometimes think the only kind of organization I've managed to avoid is a football club, and it's going to stay that way.

All those years of experience as a non-executive director (NXD, or NED) really ought to have taught me something about what makes a good board. You'd think. The temptation is to focus instead on what makes a bad board. However "bad" is harder to define. The *Anna Karenina* principle applies: like families, all happy boards are broadly alike; every unhappy board is unhappy in its own way.

Yes, it's easy to list some disaster signs. Beware the boards where the chairman sits in the CEO's pocket, or has his hands around the CEO's throat. I once sat on a board where "NXD" spelled "psychotherapist": no meeting day was complete without evening calls from both chairman and CEO to complain about each other.

But sometimes signs are misleading. Quite small trouble spots can suddenly make a board dysfunctional, while large defects can still allow it to operate well enough. All things considered, it's better to concentrate on common factors that make boards good than to try to draw lessons from the bad.

It may seem a cliché to start with the chairman, but it is that person's job to make sure the board runs well – that's what the separation of powers between chairman and CEO makes clear. Never join a board if you don't fancy the chairman (in a strictly business sense, of course).

However, the whole triangle of leadership is important – chairman, CEO and lead or senior independent director (SID). The SID was a great invention of modern corporate governance, almost as important as the separation of chairman and CEO. He (now, sometimes, she) is the anchor in a storm. The SID can, indeed must, speak truth to power, and tell the chairman or the CEO to change behavior or go. But more than that, the SID can facilitate board debate and ensure that a paid-up member of the "awkward squad" (a vital board component) gets a fair hearing.

After the financial crisis, when I was at the FRC and responsible for reviewing the UK Corporate Governance Code, I talked to many former bank NXDs, smart and respected people. They were asking themselves, how had their board failed to see trouble coming? Had they given up too easily, or not wanted to make trouble? Had the chairmen and CEO simply brushed them aside? Those who had spoken up plainly felt they were struggling alone: too isolated to make much impact. Lesson: a good board is one on which the NXDs work together, not always in agreement, but in tacit understanding that their colleagues must be properly heard.

Which depends, of course, on mutual trust and respect; and that, in turn, depends on knowing each other reasonably well. That doesn't mean coming from the same mold, because a diversity of

ILLUSTRATION: OTTO STEININGER

thought, approach, culture and gender is essential to a lively – that is, well-functioning – board. It does mean spending enough time together to forge an understanding. It's the leaders' job – the chairman and the SID – to ensure that happens.

That needn't mean more of those weeklong board jamborees to far-flung parts of the corporate empire. Facilitating short visits by groups of NXDs can be much more productive, for both learning and bonding. Like so much in board life, all these processes and rituals benefit from being constantly changed and refreshed if they are to add value.

Which is why I am a strong believer in board evaluation and a good test of a chairman is to see if they share in that belief. Twenty years ago, a FTSE 100 chairman expressed his conviction that formal evaluation wasn't needed thus: "A chap generally knows when other chaps are doing a good job." So much is wrong with that sentence that one can only rejoice at how much has changed since.

But evaluation doesn't relieve the chairman of the continuous task of assessing and refreshing. Identifying the right NXD to slot into the mix is like a hunt for unicorns: they're easy to describe but hard to find. And as the business changes, so does the appropriate mix of directors.

What's more, board members, like wine, mature at different rates. It's wise not to leave anyone in a committee chairmanship for too long: either they get so good that others become lazy, or they themselves become lazy and run round the same track each year.

"The *Anna Karenina* principle applies: like families, all happy boards are broadly alike; every unhappy board is unhappy in its own way"

Above all, I believe the chairman's responsibility is to make the board fun. If the debate is lively, if members have the confidence to give and take vigorous challenges, if left-field questions are welcomed and enjoyed, then members will turn up well-briefed, fully engaged and spoiling for action. If it's dull, pre-cooked, process-driven and led by people who resent challenge, directors will be tempted just to go through the motions. And you'll hear the noise that an experienced chairman told me you learn to dread most: the sound of the board briefing pack being ripped open only as the directors sit down at the table.

**BARONESS HOGG**

Sarah Hogg is Lead Independent Director of the Treasury, a member of the Takeover Panel, Non-Executive Director of the Financial Conduct Authority, Chairman of the Audit Committee at John Lewis Partnership and an Independent Director of Times Newspapers. She is also a member of the House of Lords. From 2010-14 she was Chairman of the UK Financial Reporting Council and before that Chairman of 3i Group and Frontier Economics. She led Prime Minister John Major's Policy Unit from 1990-95.

Sarah Hogg spoke with **MICHAEL HARRISON**, a Partner in Brunswick's London office.